



## City of Goodyear

### Meeting Minutes

#### City Council Work Session

Meeting Location:  
Goodyear Justice Center  
14455 W. Van Buren St.,  
Suite B101  
Goodyear, AZ 85338

Mayor Georgia Lord  
Vice Mayor Sheri Lauritano  
Councilmember Joanne Osborne  
Councilmember Joe Pizzillo  
Councilmember Wally Campbell  
Councilmember Bill Stipp  
Councilmember Sharolyn Hohman

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Monday, February 6, 2017

5:00 PM

Goodyear Justice Center

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#### 1 CALL TO ORDER

Mayor Lord called the Work Session to order at 5:00 p.m.

#### 2. ROLL CALL

**Present** 7 - Mayor Lord, Vice Mayor Lauritano, Councilmember Osborne, Councilmember Pizzillo, Councilmember Campbell, Councilmember Stipp, and Councilmember Hohman

Staff Present: City Manager Brian Dalke, City Attorney Roric Massey, and City Clerk Maureen Scott

#### 3. AGENDA ITEMS FOR DISCUSSION:

- 3.1 [17-5967ws](#) Council will receive an update on the success of the PV303 Foreign Trade Zone (FTZ) and staff will seek guidance as to the Council's recommendations pertaining to a boundary modification of the PV303 Magnet Site.

Development Services Director Michelle Lawrie and Economic Development Project Manager Harry Paxton presented. On June 13, 2009, City Council Adopted Resolution 09-1324 supporting the formation of the Greater Maricopa Foreign Trade Zone (GMFTZ) and approved a Foreign Trade Zone application to include the Palm Valley 303 site; Adopted a Foreign Trade Zone Tax Policy; Authorized City's membership in the GMFTZ Advisory Board. The FTZ helped reduce costs for companies.

There are two types of FTZ (Foreign Trade Zone) sites and they are Magnet and User-Driven. In July 2009, the city supported an FTZ application that was for 235 acres at PV303 FTZ Magnet site. The PV303 FTZ includes acreage on both the east and west side of the Loop 303 Freeway.

A magnet site is a site that is pre-approved for future zone users. Magnet sites are seen by developers and projects as more valuable, as there is no question as to whether they will gain federal and local approvals if the user, once identified, qualifies for the program.

A user-driven site is a site that can be designated anywhere within a Foreign Trade Zone area which seeks federal and local approvals once a potential user is identified.

PV303's FTZ has been very successful in attracting significant jobs and investment. Currently nearly 900 jobs have been created in the FTZ with the majority of these jobs being manufacturing jobs. The companies that have created the jobs include, Sub-Zero, Dick's Sporting Goods and Recreational Equipment, Inc. In addition, First Industrial is currently under construction, east of the Loop 303, with the first speculative industrial building in Goodyear since 2007. The investments by these companies total over \$318 million in capital expenditures significantly increasing the property tax base of the city.

The ownership of the PV303 Industrial Park, Sunbelt Holdings, is requesting a boundary modification to the FTZ magnet site. The boundary modification would result in a 227.25 acre increase to the Magnet Site. The request for the increase in acreage is largely due to recently recorded plats east of the Loop 303 and west of the future alignment on Pebble Creek Parkway that is planned for large industrial development. In addition, 155.68 acres is proposed west of Cotton Lane and south of Indian School Road. Bringing this area in the FTZ will provide an incentive to help attract development which will remediate the city's environmentally impacted property (40 acres) at the southwest corner of Cotton Lane and Indian School Road. Also, when this property is privately developed it will bring 40 acres on the property tax roles that is not currently given it is city owned property.

#### **Community Benefit**

900 jobs have been created with majority in manufacturing

\*529 Manufacturing Jobs

\*370 Internet Fulfillment/Distribution jobs

\*Capital Investment-\$318M

\*Increased Property and Sales Tax Revenues

#### **Council Discussion and Questions**

**\*We know the benefits that have been brought to the city but some might think that this is a detriment to the schools. Can you explain how this impacts the schools.** Lawrie explained that property tax assessments are different for FTZ. Staff will reach out to the school districts and explain how FTZ works.

**\*Is there interest on the southside of Indian School?** Paxton said there is some interest in the properties.

**\*Should this be designated as FTZ?** Paxton said not on the east side but there is potential for the southeast corner of Cotton Lane and Indian School Rd. Planning Manager Katie Wilken said a large church and gas station are interested in building at the southeast corner of Indian School Rd. and PV303. Lawrie said that development in the area will increase property value.

**\*Why don't we go all the way to Camelback?** Paxton said because it is in the accident protection zone for Luke Air Force Base. You could construct a parking lot, but not a building.

**\*At federal level there is an increase in manufacturing. Do you see anything to discourage at the federal level for FTZ?** Lawrie said no, they don't expect that. She said the

magnet site is an attraction.

**\*Are all General Fund operating sales tax on-going?** Paxton said some won't have an on-going sales tax. The focus should be on generating general fund sales tax. Emphasis needs to meet these driving demands out there.

**\*In the existing FTZ, there is Spec Building A, Do the FTZ rates apply to the spec building?** Paxton said it is in the magnet site and Subzero is a scenario of this. It is the user that goes into the building that would be FTZ qualified, not the site. It is an incentive tool and attraction to bring businesses in.

**\*It would be helpful if we could see an overlay of the number of lots and streets.**

- 3.2      [17-5970ws](#)      Council will receive a presentation on the City's status as a Community Development Block Grant (CDBG) Entitlement Community, the process for becoming an entitlement community grantee, and options for future participation in the CDBG program.

Planning Manager Katie Wilken and Planner II Alex Lestinsky presented.

CDBG (Community Development Block Grant) is to provide decent housing, suitable living environment, and expanded economic opportunities primarily to low and moderate income persons.

The city participates in the CDBG program through the Maricopa County Urban County Program. The city has a 3-year cooperative agreement with Maricopa County which will expire on June 30, 2018. The City may continue to participate in the Maricopa County Urban County program or may choose to accept the U.S. Department of Housing and Urban Development (HUD) invitation to become an entitlement community. The city must notify Maricopa County of its decision in April 2017.

### **Types of CDBG Programs**

#### **\*Urban County Program**

- >Maricopa County is designated as an Urban county
- >Competitive grant application process
- >CDAC (Community Development Advisory Committee) recommends funding levels to County Board of Supervisors
- >This includes Buckeye, El Mirage, Gila Bend, Goodyear, Guadalupe, Litchfield Park, Queen Creek, Tolleson, Wickenburg, Youngtown, unincorporated Maricopa County

#### **\*Entitlement Community Program**

- >City receives an annual allocation from HUD
- >Must be formally invited by HUD
  - \*Goodyear was invited in 2008, 2010, 2014
  - \*Current 3-year agreement with county expires June 30, 2018

### **Options**

- \*Decline entitlement status and participate in the Urban County program
- \*Accept entitlement status and administer the CDBG program

In the past ten years the city has been successful with the Urban County program.

Estimate Allocation Breakdown- \$280,000-\$56,000 (administration) =\$224,000 capital project

#### Option 1

\*Continue participation in the Urban County Program and execute a new 3-year agreement with Maricopa County (FY2019-2021)

#### **Advantages**

- \*The county does most of the work
- \*Can be managed by current staff
- \*The city might receive more funds through the Urban County program
- \*The city develops individual discrete projects and can apply once a year

#### **Disadvantages**

- \*The city is not guaranteed funding each year
- \*Project funding is bound by county priorities
- \*The city cannot use funds for administrative costs

#### Option 2

\*Accept HUD's invitation to become an Entitlement Community Grantee

#### **Advantages**

- \*The city will be guaranteed annual funding
- \*20% of funds can be used for administrative costs
- \*Flexibility in the types of projects

#### **Disadvantages**

- \*The city will need to dedicate a staff member to manage the program
- \*Up-front costs for completing the five-year consolidated plan is estimated to be \$80,000-\$120,000
- \*More eligible projects may create high demands on the amount of funds expected

#### **Staff Recommendation**

- \*Continue participation in the Urban County Program and execute a new 3-year agreement with Maricopa County
  - >Will not need to approve supplemental for \$120K plus FTE
  - >Can continue to apply for funds with Maricopa County

#### **Council Discussion and Questions**

- \***Can we use funding in Mobile to offset our general fund?** Wilken said you cannot use CDBG for operations and maintenance. If something needs to be completely redone, then it is eligible.
- \***Don't see why we should change. No advantage in changing to Option 2.**
- \***Keep with Option 1. Spread out projects with staff. Staff is doing a great job.**

**\*It is very complicated. Wilken is quite knowledgeable but doesn't have the time but still helps with CDBG.**

**\*The county has 17 years experience and are knowledgeable.**

**\*Don't see a need to change.**

**\*What about a cemetery on a super fund site? Would this be considered a slum and blithe property?** Wilken said yes, it is possible.

**\*Can public/private partnerships be included? For example, Southwest Lending Closet needed a new parking lot. Could you use if you were an entitlement.** Wilken said the projects are the same. When you bring HUD into it, you need to look at income levels.

Mayor Lord recessed the Work Session at 6:07 p.m.

Mayor Lord reconvened the Work Session at 6:15 p.m.

- 3.3**      [17-5990ws](#)      Staff will present information on the five-year financial forecast for the General Fund including an update on the FY17 and FY18 initial revenue estimates as well as listings of competing demands on FY18 resources. This is in support of developing the FY18 General Fund budget.

Budget Manager Lauri Wingenroth, presented the five-year financial forecast for the General Fund including an update on the FY17 and FY18 initial revenue estimates as well as listings of competing demands on FY18 resources.

The five-year financial forecast sets the groundwork for the fiscal year 2017-2018 (FY18) and (CIP) Capital Improvement Program FY2018-2027 budget discussions. It will provide a sense of the potential budget capacity for new projects or programs within existing revenue sources. Council was updated on the FY17 Beginning Balance during the December 19, 2016 Council Work Session.

**FY17 Beginning Balance Increase**

**\*Resources (beginning balance, revenues, transfers in)**

>Budget Estimate-\$139.3M

>Actual Results-\$143.2M

>Variance-\$4.9M

**\*Uses (O & M, CIP, debt service, transfers out)**

>Budget Estimate-\$93.5M

>Actual Results \$87.1M

>Variance-\$10.3M

**\*Ending Balance**

>Budget Estimate-\$45.8M

>\$56.1M

>\$10.3M

**FY17 Total Beginning Balance**

FY17 Budgeted Amounts

**\*FY16 Anticipated Savings      \$30.7M**

*FY16 to FY17 Carryovers	15.0
*Unbudgeted Resources	0.1

**FY16 Unanticipated Savings**

*Revenue Increases	\$3.9M
*Expenditure Savings	<u>6.4M</u>
Total	\$56.1M

**FY17 Revenue Trends (90% of ongoing revenue)**

- \*Non-Construction Sales Taxes-ahead of prior year and budget
- \*State Shared Revenues-near budget
- \*Primary Property-near budget

**FY17 and FY18 Revenue Estimates (ongoing)**

- \*Non-Construction Sales Tax
  - >FY17: 5% over prior year
    - \*\$1.5M increase
  - >FY18: 4.5% over FY17 estimate - \$2M
    - \*\$3.5M new revenue (above FY17 budget)
- \*Primary Property Tax
  - >FY18: Maximum allowable levy
    - \*\$.4M new revenue

**FY17 and FY18 One-time Revenue Trends and Estimates**

- \*2.5% of Construction Sales Tax
  - >Ahead of Budget, near prior year
  - >New FY18 Revenue
    - \*FY17: Increase \$1.0M
    - \*FY18: Estimate \$4.2M
- \*Project specific reimbursements
  - >Primarily street capital projects

**Summary of Initial FY18 New Resources**

Sales Tax-\$3.5M (ongoing)  
State Shared-0-10 (ongoing)  
Property Tax-.04M (ongoing)  
Construction Sales Tax-\$4.2M (one-time)  
FY17 Revenue Increase-\$2.5M (one-time)

**FY18 Potential Resource Adjustments**

- \*Ongoing
  - >More months actual of sales tax (based on October)
  - >Information on state shared
  - >Assessed valuations-new construction
- \*One-time
  - >More months of actual sales tax

>Refine FY17 expenditure and revenue estimates

### **Council Discussion**

**\*When we look at total one-time money and how it gets allocated, it looks like the projects are identified. It is important to see the entire pie and where the numbers are going. A concern is on-going money. There is still a concern what the state legislature will do that could be a potential situation.**

**\*Any updates on state shared revenues?** Intergovernmental Relations Manager Rob Bohr said each year we use our census population. There is only some minor issues with state shared revenues but there is nothing extremely significant.

**\*We know our population hasn't decreased, there is a safe assumption that the state shared revenue won't be zero. Will it be \$800,000 to a \$1,000,000?** Bohr said it is more complicated than that because last year's estimate didn't factor in our actual census that was conducted. We may level off a little bit from last year to this year. The new estimate will factor in the U.S. census that was conducted. The estimate may have been a little higher than what will be factoring in our current census. Going forward, it was decided to use the annual population count. Wingenroth said we used last year's mid decade census because of the uncertainty.

### **FY18 Competing Demands on new Ongoing-\$12M+**

#### Base Budget Changes/Existing Agreements

\*Fire and Police MOU will increase-\$1.4M

\*Public Safety Pension-\$1.3M

\*Non-Represented Compensation-TBD

\*Obligations/Inflation-\$1M+

\*Library-\$.4M (net new)

\*Contingency Increase-\$2M

#### Existing Priorities/Other

\*Op Cost Set-Aside-\$.9M

\*Police Squad-\$.6M (net new)

\*1-24 hour Ambulance-Net \$.1M

\*Fire Station Staffing-TBD

\*CAP Water/SRP Project-TBD

\*Other Supplemental requests-\$4M+

### **Council Discussion and Questions**

**\*The Contingency Fund is in place for catastrophic events that could occur. The Contingency increase shows as on-going, if we need to increase by \$2M, is this the best use for the money?** Wingenroth said there is \$17.8 M in the Contingency Fund.

**\*We could literally have too much money in contingency. May need to have a conversation about how much money should be in the contingency. Do we take one-time or on-going?** Wingenroth said that Council adopted a policy that there would be three months worth of funding or 25% of the budget. Dalke said it used to be four months. It is up to Council's discretion as to how much should be in the Contingency Fund.

**\*Bond Ratings are important and we rely on unsteady sources of revenues such as sales tax. Due to fluctuation of sales tax, is not comfortable lowering the Contingency Fund.**

**\*Is Public safety one time or on-going?** Wingenroth said part of it is on-going.

**\*Doesn't recall a conversation that the Contingency Fund came from on-going or one-time money when Council approved for a three month contingency.**

**\*Public Safety Pension Reform impacts employees hired now, not previous employees.**

#### **FY18 Initial One-time General Fund Estimates**

Beginning Balance	15.2M
Construction Sales Tax	4.2M
PIC Stadium Debt Set-Aside	2.1M
Operating Costs Set-Asides	0.9M
Total	22.4M
Adopted CIP	6.3M
Asset Management	8.0M
Available Balance	<u>8.1M</u>

#### **FY18 Demands on One-time - \$16M+**

(\$8+M available after adopted CIP & Asset Management)

**\*Department needs/obligations-\$0.4M**

**\*Other supplemental requests-\$8M**

**\*Ambulance-\$1.8M**

**\*Police Squad-\$0.7M**

**\*Fire Station 181 Replacement-\$5M**

**\*Other CIP Requests-Under review**

**\*Costs to finance advance of impact fee projects-30 acre park, police ops phase II-TBD**

**\*Self-Insurance-TBD**

**\*Expand asset management-TBD**

**\*CAP Water/SRP Project-TBD**

#### **Council Discussion and Questions**

**\*Human Resources Director Lyman Locket said the Self-Insurance worst case scenario is \$800,000.**

**\*Concerned about the numbers fluctuating all over the board. Self-Insurance could break even or there could possibly be a savings.**

**\*Doesn't remember the one-time \$1.8M for the ambulance. Do we tie up the money now or wait?** Wingenroth said that number is too high for next year's one-time cost. It has both the revenue loss that wouldn't occur until 2019. We would have to buy ambulances next year. We want to bring the program in early 2019. Buying of the equipment could occur next year.

**\*Looking at other CIP requests, Council should be driving the CIP requests. This should be coming down from the top. Understands they are under review but Council decides on this. Wants the ambulance to advance. It shouldn't compete with other projects. Projects need to be approved by council, not staff. Going forward, it's important that we understand our role as a policy maker.**

**\*Knows the role of Council but also knows that staff knows what the city needs. Wants to get all the input when deciding on CIP projects.** Wingenroth said that Council will see



all of the requests in March.

**\*Not sure if self-insurance is a good idea due to the impacts of the recent election.**

Dalke said it is still under consideration as to where the Fire Station 181 crew will be located. The \$1.2 M was for upgrades to Fire Station 181. We know now that it won't be used for Fire Station 181 so the money will be used elsewhere. Fire Stations will be included in the CIP.

**\*Are we going forward with temporary living facilities and looking at alternatives for Fire Station 181?** Dalke said they are looking at costs for water, sewer and fire sprinklers in the temporary facility. We want to know what the full cost is before moving forward. This would be included in the \$1.2M of appropriations.

**\*Would like to request a Work Session to discuss temporary living facilities.**

\*For the Ambulance amount, is there enough funds to cover if the application is contested?

Wingenroth said yes.

\*Other supplemental requests of \$8M is a pretty big number. We need to continue to focus on the priorities.

\*The CIP-SRP Project is going to be a big number. We need to plan for this project now.

### **Five Year Forecast-based on This Year's Budget**

**Forecast Assumptions** (Uses FY17 Budget as Base)

\*Non-Construction Sales Tax

FY19-3-7%; FY20-2-6%; FY21-0-10%; FY22-0-10%; FY23-0-10%

\*Construction Sales Tax & Development Related

FY19-0-5%; FY20-(3)-3%; FY21-(5)-5%; FY22-0-5%; FY23-0-5%

\*Property Tax-Maximum Allowable

FY19-2%+New Property; FY20-2%+New Property; FY21-2%+New Property; FY22-2%+New Property; FY23-2%+New Property

\*Operation & Maintenance (O & M)

FY19-2-5%; FY20-2-5%; FY21-2-8%; FY22-2-8%; FY23-2-8%

### **Forecast-Net New Ongoing (in millions of dollars)**

	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
*Sales Tax & State Shared	2.0-4.6	1.4-4.3	0-7.5	0-8.3	0-9.1
*Property Tax	0.4	0.4	0.4	0.4	0.4
New Ongoing	2.4-5.0	1.7-4.7	0.4-7.9	0.4-8.7	0.4-9.5
O & M	(1.5-3.7)	(1.5-3.9)	(1.5-6.6)	(1.6-7.1)	(1.6-7.7)
Potential Supplementals	0.9-1.3	(0.2-0.8)	(1.1)-1.3	(1.2)-1.6	(1.2)-1.8

### **Forecast-One-Tme**

Construction Sales Tax	4.2-4.4	4.1-4.5	4.1-4.8	4.1-5.0	4.1-5.3
Prior Year Fund Balance	5.0-10.0	5.0-10.0	5.0-10.0	5.0-10.0	
<u>5.0-10.0</u>					
Total Resources	9.2-14.4	9.1-14.5	9.1-14.8	9.1-15.0	9.1-15.3
Asset Management	7.1	7.1	7.6	6.9	6.8
Adopted FY17-26 CIP	1.9	1.6	1.9	3.2	2.4
Anticipated Uses	9.0	8.7	9.5	10.1	9.2

Available

0.2-5.4

0.4-5.8

(0.4)-5.3

(1.0)-4.9

(0.1)-6.1

**4. INFORMATION ITEMS**

City Manager Brian Dalke reported on the following:

\*The SRP Board met today and unanimously approved the agreement with the city of Goodyear.

\*The Tale of Two Cities had 4,500 people who attended the parade and festival. There were 81 individuals who participated in the naturlazation ceremony. There were 81 entries in the parade and 88 exhibitors at the Festival.

**5. ADJOURNMENT**

There being no further business to discuss, Mayor Lord adjourned the Work Session at 7:33 p.m.

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Maureen Scott, City Clerk

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Georgia Lord, Mayor

Date: \_\_\_\_\_